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News Release

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Mortgage broker pleads guilty to mail fraud, money laundering

A 25-year-old mortgage broker pleaded guilty today in federal court to mail fraud and money laundering in connection with a mortgage fraud scheme involving 14 real estate transactions totaling near \$7 million in mortgage proceeds and \$1 million in fraudulent payments.

Johnny Phong Nguyen, Wayzata, entered his guilty plea to one count of mail fraud and one count of money laundering in Minneapolis before United States District Court Judge Michael Davis.

According to his plea agreement, Nguyen devised a scheme to defraud and to obtain money by means of false and fraudulent pretenses while working as a mortgage broker at St. Joseph's Financial in 2006.

Along with others, Nguyen assisted in providing fraudulent documentation to lenders, misrepresenting the true terms of the proposed transaction, including an overstated purchase price, and misrepresenting the financial qualifications of the borrowers.

Portions of the mortgage loan proceeds were then diverted to buyers of real properties and other individuals, including himself. Nguyen admitted he worked with a closing agent to execute the scheme by disbursing the funds in a manner other than what was understood by the lender. In some cases, funds were directed to a straw corporation purportedly for the purpose of improvements to the residence in questions. However, these funds were fraudulently diverted to Nguyen and others.

Although often not a party to the transaction, Nguyen received a concealed payment ranging from approximately \$13,000 to \$70,000 per transaction for his efforts in the scheme. In total, Nguyen received approximately \$500,000. In addition to concealed payments, Nguyen and St. Joseph Financial received substantial, above-market broker fees for arranging the fraudulent transactions. Nguyen was involved in 14 separate real estate transactions, which generated

approximately \$7 million in total loan proceeds. From these proceeds, nearly \$1 million in fraudulent payments were made.

Nguyen faces a potential maximum penalty of 20 years in prison on the mail fraud count and 10 years on the money laundering count. Judge Davis will determine Nguyen's sentence at a future date. Under the terms of the plea agreement, Nguyen is cooperating with law enforcement's ongoing investigation of mortgage fraud.

This case is the result of an investigation by the Mortgage Fraud Task Force, including the Internal Revenue Service-Criminal Investigation Division, and is being prosecuted by Assistant U.S. Attorney Joe Dixon.